

MANAGEMENT AGREEMENT

This Management Agreement (this “Agreement”) is made and entered into as of the ____ day of 200__ (the “Effective Date”), by and between [New Premera Blue Cross Corp.], a Washington corporation (“New PBC”), and Premera Blue Cross Blue Shield of Alaska Corp., an Alaska corporation (PBC-AK).

Recitals.

1. PBC-AK is an Alaska for-profit insurance company that is licensed to act as an “insurer” and transact “health and health care insurance” within the meaning of Section 21.12.050 of the Alaska Statutes (“AS”).

2. Pursuant to the Premera Blue Cross/Premera of Alaska Transfer of Assets Agreement, dated _____, 200__ (the “Alaska Transfer Agreement”), between New PBC’s predecessor, Premera Blue Cross, a Washington non-profit corporation (“PBC”), and PBC-AK, PBC transferred certain of its assets and liabilities directly related to the health plans, benefit administration contracts and any other business then conducted by PBC in the State of Alaska to PBC-AK (collectively, the “Transferred Assets”).

3. PBC-AK now desires that New PBC provide and New PBC desires to provide the Management Services (as defined below).

4. New PBC’s compensation for the Management Services to be rendered hereunder is not based on the volume of premiums written by PBC-AK as set forth in Section 21.27.010(f)(1)(B) of the AS.

5. New PBC is a wholly owned subsidiary of New PREMERA Corp., which is subject to AS 21.22 and that owns or controls PBC-AK as set forth in Section 21.27.010(f)(2)(C) of the AS.

6. The parties hereto intend that New PBC be exempt from the managing general agent licensing requirement set forth in Section 21.27.010(a) of the AS by virtue of Section 21.27.010(f) of the AS.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Management Services.

(a) New PBC shall provide to PBC-AK all management and administrative services reasonably required by PBC-AK in relation to the Transferred Assets, or otherwise, in order for PBC-AK to carry out its business and operations in manner substantially consistent with the manner in which PBC carried out its business and operation in Alaska prior to the transfer of the Transferred Assets pursuant to the Alaska Transfer Agreement (the “Transfer”), together with

such other services as the parties hereto may agree from time to time (collectively, the "Management Services"). Exhibit A attached hereto contains a non-exclusive list of the Management Services to be provided by New PBC to PBC-AK, which may be amended from time-to-time.

(b) Unless otherwise specifically agreed by the parties, New PBC shall provide the Management Services in the same manner and with the same degree of care with which PBC performed similar services on its own behalf in relation to the Transferred Assets prior to the Transfer. The parties shall use that degree of ordinary and reasonable diligence in the performance of services hereunder that an experienced and qualified provider of similar services under a similar services agreement would use acting in like circumstances. New PBC shall not be required to increase the volume, scope or quality of the Management Services beyond that which has been specifically agreed to herein.

(c) Subject to the consent of the parties hereto and the applicable approval of regulatory authorities, New PBC may cause any Management Service it is required to provide hereunder to be provided by any Affiliate (as defined below) of New PBC or by any third-party. "Affiliate" of any specified entity shall mean any other entity that, directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with, such specified entity, where "control" means the possession, directly or indirectly, of the power to direct management and policies of an entity, whether through the ownership of voting securities, contract or otherwise.

2. Compensation. In consideration for New PBC rendering the Management Services to PBC-AK, PCB-AK hereby agrees to reimburse New PBC any and all costs, charges and expenses incurred under this Agreement in accordance with the Intercompany Services and Cost Allocation Agreement dated _____, 200__.

3. Relationship of the Parties. New PBC and PBC-AK are independent contractors and shall not be deemed partners or joint venturers, or be governed by any legal relationship other than as independent contractors. Neither party shall be responsible for the debts, expenses or other obligations of the other party except as otherwise provided herein.

4. Term and Termination.

(a) Except as otherwise provided in this Section 4 or as otherwise agreed in writing by the parties hereto, this Agreement shall have an initial term of one year from the Effective Date, and will automatically renew thereafter for additional one year terms unless terminated pursuant to paragraph (b) of this Section 4.

(b) Either party may terminate this Agreement immediately in the event of (i) liquidation or dissolution of the other party, (ii) the making of an assignment by the other party of any of its assets for the benefit of a creditor, (iii) the filing by or on behalf of the other party of a voluntary petition under any federal or state bankruptcy statute, (iv) the filing against the other party of an involuntary petition under any federal or state bankruptcy statute, which petition is not dismissed within sixty days of such filing, or (v) the delivery of written notice by a

party hereto to the other party not less than thirty (30) days prior to the effective date of termination.

(c) In the event of termination of this Agreement, New PBC shall provide access to or deliver to PBC-AK such books, records and other materials applicable to the Management Services provided hereunder.

5. Limitation on Liability and Indemnification.

(a) PBC-AK agrees that none of New PBC or its Affiliates and their respective directors, officers, agents, and employees (each, an "Indemnified Person") shall have any liability, whether direct or indirect, in contract or tort or otherwise, to PBC-AK for or in connection with the Management Services rendered or to be rendered by any Indemnified Person pursuant to this Agreement, any changes in the Management Services made by any Indemnified Person, the transactions contemplated hereby or any Indemnified Person's actions or inactions in connection with any such Management Services or transactions, except for damages which have directly resulted from New PBC or its Affiliates breach of this Agreement or such Indemnified Person's gross negligence or willful misconduct in connection with providing or failing to provide such Management Services.

(b) New PBC shall not be liable to PBC-AK for any indirect, special, consequential or punitive damage.

(c) PBC-AK agrees to indemnify and hold harmless each Indemnified Person from and against any damages, awards or judgments and to reimburse each Indemnified Person for all reasonable costs and expenses as they are incurred in investigating, preparing, pursuing, or defending any claim, action, proceeding, or investigation, whether or not in connection with pending or threatened litigation and whether or not any Indemnified Person is a party thereto, arising out of or in connection with the Management Services rendered or to be rendered by any Indemnified Person pursuant to this Agreement, the transactions contemplated hereby or any Indemnified Person's actions or inactions in connection with any such Management Services or transactions; *provided, however*, that PBC-AK will not be responsible for any damages of any Indemnified Person that have resulted directly from such Indemnified Person's negligence or willful misconduct in connection with such Management Services.

6. Mutual Representations and Warranties. Each party hereto hereby represents and warrants to the other party as follows:

(a) it is duly organized and validly existing as a corporation under the laws of its jurisdiction of incorporation;

(b) it has the power to execute, deliver and perform its obligations under this Agreement and has taken all necessary action to authorize such execution, delivery and performance;

(c) its obligations under this Agreement are its legal, valid and binding obligations, enforceable in accordance with their terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other similar laws of general applicability relating to or affecting creditors' rights and to general equity principles;

(d) no notices, reports or other filings are required to be made by it with, nor are any consents, registrations, permits, orders, licenses or authorizations required to be obtained by it from, any governmental authority or any other Person in connection with the execution, delivery and performance by it of this Agreement and the consummation by it of the transactions contemplated by this Agreement; and

(e) the execution, delivery and performance by it of this Agreement does not and will not, and the consummation by it of the transactions contemplated by this Agreement will not, with or without the giving of notice, the lapse of time, or both, (A) violate or conflict with its articles of incorporation or by-laws, (B) violate or conflict with any applicable law with respect to it, or (C) breach or result in a default under, permit the termination of, or permit the acceleration of the performance required by, any contract of it, except, in the case of this clause (C), such instances as would not have a material adverse effect on its assets, financial condition, results from operations or business.

7. Information and Confidential Information.

(a) Subject to applicable law and privileges, each party hereto covenants and agrees to provide the other party with all information regarding itself, the Management Services, and the transactions contemplated by this Agreement that the other party reasonably believes are required to perform its obligations under this Agreement in accordance with all applicable federal, state, county and local laws, ordinances, regulations and codes.

(b) PBC-AK and New PBC hereby covenant and agree to hold in trust and maintain confidential all Confidential Information (as defined below) relating to the other party. "Confidential Information" shall mean all information disclosed by either party to the other in connection with this Agreement whether orally, visually, in writing, electronically or in any other tangible form, and includes, but is not limited to, economic and business data, business plans, and the like, but shall not include (i) information which becomes generally available to the public other than as a result of disclosure in violation of the provisions of this Section 7, (ii) information which becomes available on a nonconfidential basis to a party from a source other than the other party to this Agreement; *provided*, that the party in question reasonably believes that such source is not or was not bound to hold such information confidential, (iii) information acquired or developed independently by a party without violating this Section 7 or any other confidentiality agreement with the other party, and (iv) information that any party hereto reasonably believes it is required to disclose by law; *provided*, that it first notifies the other party hereto of such requirement and allows such party a reasonable opportunity to seek a protective order or other appropriate remedy to prevent such disclosure. Without prejudice to the rights and remedies of either party to this Agreement, a party disclosing any Confidential Information to the other party in accordance with the provisions of this Agreement shall be entitled to equitable relief by way

of an injunction if the other party hereto breaches or threatens to breach any provision of this Section 7.

(c) Pursuant to the HIPAA Privacy regulations, the parties agree that New PBC will be the Business Associate (as defined in 45 CFR §160.103) of PBC-AK. On or before the compliance date of the HIPAA Privacy regulations (codified at 45 CFR Part 160 and 164), the parties agree to amend this Agreement by adding an Exhibit outlining New PBC's Business Associate contractual obligations.

8. Miscellaneous.

(a) This Agreement (including the Exhibits constituting a part of this Agreement) and any amendments hereto, constitute the entire agreement among the parties with respect to the subject matter hereof and supersede all prior agreements, understandings and negotiations, both written and oral, between the parties with respect to the subject matter hereof.

(b) Any notice, instruction, direction or demand under the terms of this Agreement required to be in writing will be duly given upon delivery, if delivered by hand, facsimile transmission, intercompany mail, or mail, to the following addresses:

If to PBC-AK, to:
Premera Blue Cross Blue Shield of Alaska Corp.
P.O. Box 327, Mail Stop ____
Seattle, WA 98111-____
Facsimile: _____
Attention: _____

If to New PBC, to:
[New Premera Blue Cross Corp.]
P.O. Box 327, Mail Stop ____
Seattle, WA 98111-0327
Facsimile: _____
Attention: _____

or to such other addresses or telecopy numbers as may be specified to the other parties in accordance with this Section 8(b).

(c) This Agreement shall be construed in accordance with and governed by the laws of the State of Alaska, without giving effect to the conflicts of laws principles thereof.

(d) If any provision of this Agreement shall be invalid or unenforceable, such invalidity or unenforceability shall not render the entire Agreement invalid. Rather, the Agreement shall be construed as if not containing the particular invalid or unenforceable provision, and the rights and obligations of each party shall be construed and enforced accordingly.

(e) This Agreement may only be amended or modified in writing executed by both parties hereto.

(f) This Agreement is solely for the benefit of the parties hereto and shall not be deemed to confer upon third parties any remedy, claim, liability, reimbursement, cause of action or other right in excess of those existing without reference to this Agreement.

(g) Except as otherwise provided in this Agreement, this Agreement shall not be assignable, in whole or in part, directly or indirectly, by any party hereto without (i) the prior written consent of the other party hereto and (ii) the approval of any regulatory agency, if required by applicable law. Any attempt to assign any rights or obligations arising under this Agreement without such consent shall be null and void *ab initio*; *provided, however*, that New PBC shall be entitled to assign this Agreement without the consent of PBC-AK to an Affiliate. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective permitted successors and assigns.

(h) PBC-AK hereby recognizes that New PBC now renders or may in the future render management and other services (including services similar to the Management Services) to other entities that may or may not conduct activities similar to those of PBC-AK. New PBC shall be free to render such other services, and PBC-AK hereby consents thereto.

(i) Upon reasonable notice, New PBC shall provide access during normal business hours to its books and records applicable to the services provided hereunder to PBC-AK and/or the State of Alaska's Division of Insurance. The foregoing provision shall survive the termination of this Agreement for a period of three (3) years following the effective date of such termination.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

[NEW PREMERA BLUE CROSS CORP.]

By: _____
Name: _____
Title: _____

PREMERA BLUE CROSS BLUE SHIELD
OF ALASKA CORP.

By: _____
Name: _____
Title: _____

Exhibit A

MANAGEMENT SERVICES

The Management Services, shall include, but not be limited to, the following:

- Accounting and financial management services
- Actuarial services
- Care Facilitation Services
- Claims adjudication services
- Corporate record keeping services
- Customer service and other operational support
- Employees and employee benefit services
- Facilities and facility management services
- Human Resources services
- Information technology services
- Investigation and recovery services
- Legal services
- Liability insurance services
- Provider contracting services
- Purchasing
- Regulatory compliance services and government relations
- Sales and Marketing services
- Subscriber and enrolled participant contracting services